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Letter No. 2288

November 13, 1986

**"EMBARGO DID
NOT CAUSE
FARM CRISIS"**

A study prepared by the U.S. Department of Agriculture concludes that "embargoes did not cause the farm crisis of the 1980's." The study concludes that global macroeconomic factors and farm policy, not embargoes, largely account for farm problems in the 1980's, notably the high U.S. dollar, global recession, high foreign debt levels, high real interest rates, and foreign agricultural protectionism. The analysis of the effects of embargoes and surplus disposal programs was a joint government/academic institution project, and included the USDA's Economic Research Service, 14 universities and one private research institution.

**KEY POLICY
OBJECTIVES**

The conclusions of the study by the U.S. Department of Agriculture that embargoes did not cause the farm crisis of the 1980's, underscore several key policy objectives of this Administration. First, the financial health of agriculture is dependent on responsible fiscal policy, according to a recently completed research study. The Federal budget deficit must be sharply reduced if the value of the dollar, interest rates, and economic growth are to improve farm economic conditions. Second, the study concludes embargoes do not hurt the intended victim but may hurt the embargoing nation. This principle guided the Administration's action in ending the 1980 grain embargo and undergirded the opposition to the recent South African embargo.

**SUBSIDIES &
FARM INCOME**

According to a study by the U.S. Department of Agriculture on embargoes and the farm crisis of the 1980's, across-the-board export subsidies would have cost more than current policies and would not have changed farm income. The study also concludes that subsidies targeted at certain markets pay only if the markets are price sensitive and if other countries do not change their behavior. The conclusions of this study concerning export subsidies are that export subsidies are counterproductive.

**ARGENTINA,
AUSTRALIAN & EC
SOVIET TRADE**

Argentina has yet to sell any new crop wheat to the USSR and old crop coarse grain sales fell far short of the required 4 million tons in calendar year 1986, according to the U.S. Department of Agriculture. It also appears that the European Community wheat sales to the USSR so far total less than 2 million tons. Australian wheat sales to the Soviets so far in 1986/87 have been slow to develop. The Australian Wheat Board recently reported that sales of 550,000 tons had been made.

USSR GRAIN
EST. INCREASED

The 1986 Soviet grain crop is estimated by the U.S. Department of Agriculture at 195 million metric tons, 15 million above last month's estimate. The increase includes 4 million metric tons of wheat, now estimated at 81 million tons; and 10 million coarse grains, now estimated 100 million tons. On Nov. 6, a senior official of the Soviet Politburo indicated that the 1986 grain crop is expected to be "about" 210 million tons. This statement will receive further consideration by the USDA, pending additional information.

USSR GRAIN
IMPORT EST.

USSR grain purchases for delivery in the 1986/87 marketing year now total nearly 10 million tons, according to the U.S. Department of Agriculture. This is well short of buying levels for comparable periods in recent years. The estimate of total USSR grain imports from all sources for July 1986 through June 1987 has been reduced by 6 million tons to 26 million. This would be the lowest level of grain imports since 1978/79 when a record crop was harvested. The estimate of wheat imports has been reduced by 2 million tons to 14 million, the lowest level of imports since 1979/80. The slow pace of USSR grain buying so far this marketing year may reflect a number of factors including sharply reduced foreign exchange earnings, increased domestic procurements of high quality wheat, improved grain crop prospects and a good forage crop harvest.

CANADA-USSR
TRADE
AGREEMENT

The sharply reduced estimate of the 1986/87 Soviet Union grain imports is likely to impact on most of the world's major grain shippers, according to the U.S. Department of Agriculture. Canada appears to be in the most secure position as early season sales to the USSR are estimated at around 2 million 500 thousand tons. Canada and the USSR recently officially signed a new 5-year trade agreement calling for grain exports of 25 million tons over the Aug. 1986-July 1991 period. So far this year, a significant portion of the wheat shipped to the USSR has been feed wheat.

EXPORT
ENHANCEMENT &
THE USSR

Despite the inclusion of the USSR in the Export Enhancement Program for wheat for a brief period, no U.S. sales of wheat or corn have been reported so far in the 1986/87 July-June marketing year, according to the U.S. Department of Agriculture. During each of the past 2 years, the USSR has failed to live up to its commitment to purchase for shipment during each Oct.-Sept. period a minimum of 4 million tons of wheat under the Long-Term Grain Agreement. USSR purchases of corn have exceeded agreement minimums. As yet, no sales were reported for shipment of corn during the Oct. 1986-Sept. 1987 period.

CROP
PRODUCTION

The following are some highlights of the Nov. 10 Crop Production report of the U.S. Department of Agriculture: Corn for grain production is forecast at 8 billion 220 million bushels, down 7 pct. from last year's record high. Soybean production is forecast at 2 billion 10 million bushels, 4 pct. below last year. All cotton production is forecast at 9 million 870 thousand bales, 26 pct. below the 1985 crop. Sorghum grain production is forecast at 900 million bushels, 19 pct. less than the 1985 crop.

FROM OUR
TELEVISION
SERVICE

U.S. WEATHER AND CROP UPDATE...USDA chief meteorologist Dr. Norton Strommen focuses on the sudden cold temperatures in many parts of the U.S. and how this weather is affecting various crop conditions. Deboria Janifer interviews. (316)

CURRENT VEGETABLE OUTLOOK...The value for some major fresh vegetables has gained an average of eight percent per year for the past 16 years. USDA economist Shannon Hamm takes a look at factors contributing to the increase in value as well as production and consumption. Vic Powell interviews. (317)

HEARTWATER AND THE TROPICAL BONT TICK...Heartwater is a serious disease that affects cattle and is transmitted by the Tropical Bont Tick. Dr. Ralph Bram with USDA's Agricultural Research Service describes this disease and efforts being taken to prevent it from entering the U.S. DeBoria Janifer interviews. (318)

LIVESTOCK AND POULTRY OUTLOOK...Recent changes in the consumption of red meat and poultry are likely to become even greater next year. USDA economist Allen Baker examines the current situation and outlook for livestock and poultry. Vic Powell interviews. (319)

CHANGES IN AGRICULTURAL PROGRAMS...Federal agricultural programs were altered by the 99th Congress during the last days before adjournment. USDA economist Terry Townsend reviews those changes and their impact on agricultural producers. Vic Powell interviews. (320)

FROM OUR RADIO
SERVICE

AGRICULTURE USA #1538...(Weekly 13½ min documentary) There are thousands of species of fish in the ocean but Americans only seem to want to eat a few types. Fish and wildlife exports at the University of Massachusetts are working to change this trend by getting Americans to taste seafood such as squid. George Holmes reports.


AGRITAPE/FARM PROGRAM REPORT #1528...(Weekly reel of news features) USDA news highlights; ASCS elections are coming up; Canada places a tariff on U.S. corn; Livestock producers and the 1986 tax law; The new Ag. Yearbook.

CONSUMER TIME #1019...(Weekly reel of 2½-3 min features) Turkeys: Beyond Thanksgiving; Middle income Americans and the new tax laws; The new tax laws and you; Holiday food problems; New meat inspection law.

USDA RADIO NEWS SERVICE...Thurs, Nov. 20, Catfish report; Farm labor report; World ag. outlook; Mon, Nov. 24, World cocoa situation; Tues, Nov. 25, Weekly weather and crop outlook; Wed, Nov. 26, World dairy situation/outlook; Export markets for U.S. grains; Commercial fertilizer consumption. Dial the USDA National News Line 202-488-8358 or 8359. All material changed at 5 p.m. ET each working day.

OFF MIKE

Joe Ellis is no longer with the Texas State Agribusiness Network. According to Bob Cockrum, Joe left the first part of October to go into private business. He'd been with the network about 5 years. Bob Walsh replaces Joe as farm Director. Bob had been in banking and prior to that was farm director at WBAP, Fort Worth ... A number of you have called to be placed on the mailing list to receive the listing of Outlook Conference sessions that will be available on the 900 telephone service. If you're not familiar with the 900 service, it's the one that charges you 50-cents for the first minute and 35-cents per minute for each additional minute. For instance, Sec'y of Agric Richard Lyng is scheduled to speak Wed., Dec. 3, for 15 minutes. By dialing the 900 number you can monitor (and record) his remarks for a phone call cost of \$5.40 (unless, of course, you're on longer than 15 minutes). If you would like the schedule and phone number, let me know. The conference from Tues., Dec. 2 through 'til noon, Thurs., Dec. 4 ... Just received a call from Wayne Jenkins (Morning Ag Report, Indianapolis, IN) asking for a copy of the new Yearbook of Agriculture, "Research for Tomorrow." The book was officially released Nov. 10, the same day Wayne called, which is what you might call prompt. We have a limited number of free copies, so if you would like one, let me know ... Cindy Zimmerman (Independent Florida Agrinet, Ocala) recently received the Florida Farm Bureau outstanding newspaper person of the year award for her reporting of agricultural news in the state. Our Congratulations! ... If you stop by Forrest Bradley's old address at Mid-America Dairymen, Inc., you won't find him. Mid-Am has moved. The new address is 3253 E. Chestnut Expressway in Springfield, MO. And for those who haven't met Forrest, he's Director of Communications at Mid-Am ... This was written just before leaving for Kansas City and the NAFB meeting, so we'll have the news from the meeting in this spot next week.


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